

GO TOINDEX**Compliance Team Policy / Process for Performing a Branch Audit**

Document Information

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INDEX

SECTION 1	<u>PREPARATION ACTIVITIES</u>	
Pages	4 - 6	
SECTION 2	<u>PERFORMING A FINANCIAL AUDIT</u>	
Pages	7 - 16	
SECTION 3	<u>GUIDELINES FOR COMPLETION OF THE P32</u>	
Pages	16 - 22	
SECTION 4	<u>VERIFICATION OF THE REPORTED FIGURES</u>	
Page	23	
SECTION 5	<u>REPORTING OF IRREGULARITIES AND</u>	
<u>DISCREPANCIES</u>	Pages	24 - 27
SECTION 6	<u>PERFORMING A COMPLIANCE AUDIT</u>	
Pages	27 - 29	
SECTION 7	<u>CLOSE OF AUDIT MEETING</u>	
Page	30	
SECTION 8	<u>AUDIT REPORTING FOR STANDARD AUDITS</u>	
Pages	30 - 32	
SECTION 9	<u>REGULATORY COMPLIANCE REPORTING</u>	
Page	33	
SECTION 10	<u>POST AUDIT ACTIVITIES</u>	Page
33		
APPENDIX A	<u>IDENTITY VERIFICATION LETTER</u>	
Page	34	
APPENDIX B	<u>CROWN BRANCHES</u>	
Pages	35 - 36	
APPENDIX C	<u>FRANCHISE AND MULTIPLE BRANCHES</u>	
Page	37	
APPENDIX D	<u>OPEN PLAN AND COMBINATION FORMATS</u>	
Page	38	
APPENDIX E	<u>ATMs</u>	Page
39		
APPENDIX F	<u>SMOKE AND DYE PACKS</u>	Page
40		

APPENDIX G Page 41	<u>ACCESS TO THE HORIZON SYSTEM</u>	
APPENDIX H Page 42	<u>NAVIGATIONAL PATHS FOR HORIZON REPORTS</u>	
APPENDIX J <u>AUDIT</u>	<u>DEALING WITH DISCREPANCIES REVEALED AT</u> Page 43	
APPENDIX K Page	<u>CONTACT POINTS & GUIDANCE NOTES</u> 44	
APPENDIX L 44	<u>AUDITING WITHOUT HORIZON</u>	Page

The above sections detail the audit process to be followed at agency, multiple, franchise branches and Crown branches.

The Network Compliance Audit Manager will allocate a lead Audit Officer as part of the Audit Plan and Scheduling process. It is the responsibility of this designated lead Audit Officer to fully prepare the audit, lead the audit on site, report financial irregularities and subsequently complete the required post audit activity, including the audit report.

SECTION 1 - PREPARATION ACTIVITIES

Top

1.1 Open the latest version of the electronic Audit of Accounts (P32). Once opened, the P32 must be saved as the branch code, date, name of branch and NCAM area, for example, Wakefield (North) xls – this will prevent accidental overwriting of the original P32 template and also allows future changes to be saved, as the original is a “save only” template. Robbery, burglary, transfer and closure audits should be saved in the same format but should be pre-fixed with R, B, T or C respectively e.g.

Wakefield (North) xls.

1.2 Check the Post Office Ltd Intranet site for branch profile details. (There is also a link incorporated into the P32 planning sheet that can be utilised to obtain branch data). This will provide data on the branch address and opening times. In order to access this detail you must be connected to the intranet. Example of available data below:

http://www.postofficeintranet.co.uk/branch-mis/branch-mis.asp - Microsoft Internet Explorer provided by Royal Mail

Post Office® intranet

be inspired | +1 sales | WTL & sales capability | site map User Name: postoffice | Logout

Home Search

Business

- our structure
- meet the teams
- our values
- impact

Information

- crisis management
- events online
- policies & guidelines

What's in it for you

- sales recognition
- trade up

Communication

- focus publications
- our latest campaigns

Reference

- find a branch
- branch database

Find a branch - Online branch locator

Thursday 18-Aug-2005 12:40:08 User Name: postoffice

FAD Code: search

Office Name: search

Town contained in the address: search

Status:

FAD Ino CD: Counter Positions: Post Shop:

Office Type: Segment No: Category: HoS/A No: HoS/A Name: SAM/RSM No: SAM/RSM: Mgr Type:

Address Details

Telephone: County: Post Code:

Opening/Closing Times

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Opens	<input type="text"/>	<input type="text" value="09:00"/>	<input type="text" value="09:30"/>	<input type="text" value="09:00"/>	<input type="text" value="09:00"/>	<input type="text" value="09:00"/>	<input type="text" value="09:00"/>
Closes	<input type="text"/>	<input type="text" value="17:30"/>	<input type="text" value="17:30"/>	<input type="text" value="17:30"/>	<input type="text" value="17:30"/>	<input type="text" value="17:30"/>	<input type="text" value="12:30"/>

1 of 1

Start | John.Jenkins... | Processes | WinZip - 224... | 13.AuditofAcc... | http://ww... | 13.AuditofAcc... | Internet | 12:40

Please note: - If a Audit Officer arrives at a branch scheduled to be open (info detailed on the intranet), but finds it is closed, this must be reported to the Network Compliance Audit Manager as soon as possible. Do not alert the Subpostmaster to the fact that you have come to do an audit, as it is unlikely that access will be given and the surprise element of the audit will have become compromised.

1.3 Access the Lotus Notes P32 library to examine the previous audit report and extract all recorded control gaps. The date of the previous audit can be obtained from the prep data and / or the branch details files. Both these files are held on the Compliance Team Library.

1.4 Prep data files are placed on the Compliance Team Library to support the audits included in the plan. It is the responsibility of the Audit Officer to download and examine the prep data that relates to the audit being planned. The weekly plan will detail what prep data is to be used for a specific audit. It will also detail the reason for audit (e.g. the risk indicators from the audit risk models). Extract all planning data appropriate to the branch being audited and record the details in the appropriate section of the planning sheet within the P32. NB. Where there is no prep data available for a branch, information from all branch details file should be used.

1.5 Obtain the lottery cheque, rod licence serial numbers for on site verification of stock found at audit. The prep data provides information on the serial numbers of new stock recently sent to the branch.

1.6 Make / organise travel arrangements. In every case, the most cost effective mode of travel and most time efficient route must be selected to travel to the branch in accordance with the current Business Travel Expenses (BTE) policy. Pool and hire cars should be utilised and, where feasible scheduled by the Planning in the first instance. However, the Audit Officer should look to make changes if necessary. Public transport and car sharing must also be explored.

Please note: - The current BTE policy states that where public transport, use of a pool car, lease car or a hire car is identified as the most suitable means of travel, but you choose to use your own car, the business will only reimburse the category 2 mileage allowance.

1.7 Audit leader to communicate meeting arrangements if more than one Audit Officer is attending. It is also important that all Audit Officers attending are aware of their role at the audit. Avoid meeting other Audit Officers directly outside a branch as this could compromise the surprise element of a visit. Also, contingency plans should be considered and discussed at this stage to cover expected actions should problems arise. For example, where:

- One or more of the team is late arriving
- One or more of the team does not attend (sickness, bad weather)
- The lead Audit Officer does not attend or is late

1.8 For audits commencing after 8.00am the identity card issued to Audit Officers should be sufficient identification to gain access to a branch. The Subpostmaster should contact the NBSC to further validate identification before allowing entry to the secure area.

1.9 For audits commencing prior to 8.00am, a verification letter must be prepared prior to the audit, [Appendix A](#). This should be presented to the Subpostmaster together with identity cards on arrival at the branch to be audited. This should prove sufficient evidence of Audit Officers' authenticity to gain admittance. However, if the Subpostmaster requires further verification the Network Compliance Audit Manager should be contacted on the mobile number identified within the verification letter. For this reason the Network Compliance Audit Manager must be notified in advance of the audit and provided with the details of the Audit Officers attending and their identity card numbers.

1.10 Complete the planning sheet within the P32. The sheet must be fully and accurately completed. If planning is not completed prior to the audit, 'X' must be inserted in the appropriate box and a valid explanation recorded. The explanation must be significant for planning not to have been performed, (simply recording "insufficient time" or similar is not appropriate at the planning stage).

1.11 Details of compliance tests to be undertaken are detailed in section 6 of this chapter.

1.12 Complete the CAT selection sheet within the P32. The sheet must be fully completed including:

- Reasons for examining / not examining each compliance test. The correct abbreviations to be used by selecting from the drop down menu.
- Total number of all control gaps at last audit
- Summary of all control gaps at last full audit
- Initials of Audit Officer scheduled to perform the compliance test

If for any reason changes occur to your plan whilst on-site, you must detail any changes in the appropriate column. This, also to include whether or not a test has been aborted, extended or observations have been made that result in a further test being carried out.

1.13 Also refer to appendixes B, C, D and E of this chapter at the preparation stage if prep data identifies that the branch to be audited is:

- Directly Managed
- A franchise or multiple
- Open plan or a combination store
- An ATM branch

1.14 For Regulatory Compliance Visits

- Prepare electronic CAT and embedded word.doc in advance of visit i.e. populate relevant areas with branch information.
- Prepare Compliance working paper
- Check Segmentation database and Training databases for further branch information and confirmation of trained staff re: Reg. Compliance & Mails Integrity

- Prior to visit ensure that you have copy of current display instructions and all relevant Ops manuals & training workbooks relating to AML/ FS/Travel Ins/Credit Card / Mails and HomePhone

SECTION 2 – PERFORMING A FINANCIAL AUDIT

Top

The objective of the financial audit is to determine the value of cash, stock and vouchers on hand by completing the P32 document, and comparing this to the system derived balance due to PO figure (using the latest declared branch trading statement, and reports obtained from the Horizon system).

The P32 must be completed on-site for **all** financial audits including closures, robbery and burglaries, except transfers.

2.1 Gain entry to the branch to be audited. This should be done immediately upon the Subpostmaster or staffs arrival on site. His/her access to the counter area and the assets should be avoided without the presence of an Audit Officer. The Subpostmaster or staff should contact the NBSC before allowing access and this will mean that Audit Officers will have to wait outside until their identity has been confirmed by the NBSC. The Subpostmaster or staff should be advised that he/she should not access cash, stock or the Horizon system until the Audit Officers have gained access. In these circumstances, any irregularity should also be documented and a transaction log obtained from the Horizon system, to ensure there has been no activity on the system before the Audit Officers were allowed access. If the Subpostmaster refuses to allow entry to the premises, explain that the Audit Officers have the right to verify Post Office Ltd assets and that the Subpostmaster is contractually obliged to allow the Audit Officers access to do this.

If entry is still refused then advise that it may be necessary to involve the police to ensure access, and contact the Network Compliance Audit Manager for further advice and to discuss the situation.

2.2 Before the audit commences, the lead Audit Officer should make introductions and discuss the audit process with the Subpostmaster, ensuring that audit requirements are made clear and that the Subpostmaster is also aware of his/her responsibilities. The discussion will include:

- The need to identify and produce all cash, stock and vouchers at the outset of the audit. (It is important that this is stressed to the Subpostmaster and that the location of all cash stock and vouchers is identifiable by the Audit Officers, especially if outside the secure area).
- The importance of the Subpostmaster or stock holder witnessing the check of cash
- The obtaining of Horizon reports, branch trading statements, ONCH declarations etc. required for the audit
- The initial audit approach e.g. how the cash and stock will be checked.
- The estimated opening time of the branch
- Facilities for Audit Officers (e.g. working area, toilets)

- The secure accommodation for laptop cases, equipment, handbags
- Other aspects of the audit – compliance testing, reconciliation of non-value stock
- The close of audit meeting and the opportunity for the Subpostmaster to comment on any findings

Please note: - This list is not meant to be definitive, the discussion may be extended but the above should be included as a minimum.

2.3 If the audit takes place on a Thursday, following the completion of a branch trading period, and the branch trading statement has not been fully completed, the audit should be based on the trial balance figure ensuring cash and stock have been declared. It is important that the branch is balanced and rolled over into the next branch trading period and this must be completed before the Audit Officers leave the branch. The final branch trading statement can then be completed during the course of the audit. The following are possible (but not exhaustive) scenarios, where it may be found that balances are not completed on a Thursday audit following completion of a branch-trading period:

Single stock branch

Branch should be kept closed until the stock unit is balanced and rolled over to current branch trading period. The audit can now be commenced but the Subpostmaster should be asked to produce the final branch trading statement as soon as possible. Ideally the branch trading statement should be completed before leaving the branch.

Dual stock branch (OOH – out of hours (lottery) - counter)

If the OOH stock unit has not balanced then check the counter stock whilst the Subpostmaster balances the lottery stock. Once the lottery stock has been balanced and rolled over allow the branch to open for business but again the Subpostmaster should be requested to produce the final branch trading statement as soon as possible. Ideally the branch trading statement should be completed before leaving the branch.

Multi stock branch (without out of hours)

The branch should be kept closed until all stocks have been balanced and rolled over. Once this has been completed, the branch can be allowed to open for business once the Audit Officers have verified sufficient stocks and the lead Audit Officer is satisfied. The Subpostmaster should be asked to produce the final balance trading statement as soon as possible, and ideally this should be completed before the Audit Officers leave the branch.

Multi stock branch (with OOH – out of hours)

Branch should be kept closed until all stock units, including OOH, have been balanced and rolled over. Once sufficient stocks have been checked and the lead Audit Officer is satisfied, the branch can be allowed to open for

business. The Subpostmaster should be asked to complete the final balance trading statement as soon as possible and, ideally, this should be produced before the Audit Officers leave the branch.

2.4 Checks of cash (and ideally, stock and vouchers) on hand should be undertaken in the presence of the Subpostmaster or stockholder. The importance of the Subpostmaster /stockholder witnessing the financial audit must be stressed to the Subpostmaster. Where this is not possible, or the Subpostmaster chooses not to be present, then checks must be made in the presence of another Audit Officer. It is important that any checks are not made in isolation. Both the Audit Officer and stockholder should acknowledge the accuracy of the figures following the check.

Please note: - If the branch is equipped with Smoke and Dye notes, please refer to appendix F.

Access to all cash, stock, vouchers and branch trading statements should be restricted until they are checked and released by the audit leader. Where there is only one Audit Officer on site conducting the audit then it is important that the check of the cash, stock and vouchers is performed in the presence of the Subpostmaster and this must be stressed at the outset of the audit.

Please note: - Where a discrepancy is highlighted, the Subpostmaster and/or another Audit Officer should verify the findings and sign the cash and/or stock sheet to confirm that the figures to be used as part of the audit are correct.

2.5 Establish where all Post Office® cash, vouchers and stock are held. As previously mentioned, only cash and stock produced at the outset of the audit must be included and access must be restricted during the financial audit. There may be circumstances where access cannot be gained to some value items that are to be included in the audit. The following are examples:

- Over-locked safes
- Locked drawers or stock units
- Keys or key-holder not available

This must be reported to the Network Compliance Audit Manager as soon as possible for further action and advice. The Network Compliance Audit Manager will subsequently report the situation to the Contract Advisor and Investigation Team Manager. Any actions arising from discussions should be communicated to the lead Audit Officer as soon as possible. The value of such items should be discounted from the audit. The discrepancy must be fully explained in the audit report.

Please note: - In the case of an audit at franchise or multiple branches, the nominee post/office representative should be informed as soon as possible e.g. at the outset of the audit.

2.6 Determine if any non-standard transactions are performed at the branch:

- Bureau
- ATM
- SVM
- Lottery
- Paystation

Again, not a definitive list but any cash and stock relating to non-standard transactions must be obtained, verified and included in the audit.

2.7 If necessary, display a special notice advising the external customers

that the branch is not going to open at the advertised time. The notice should give details of the approximate time of reopening and alternative branches that can be used. The NBSC should be telephoned and advised that the branch is to be temporarily closed. (The NBSC should also be contacted when the branch re-opens). **Contact – NBSC**

2.8 Ascertain if the branch operates shared or individual stock units. If branch operates individual stock units, ensure that access can be gained to all the cash, stock and vouchers held within the stock units. If full access cannot be gained, this must be reported to the Network Compliance Audit Manager without delay.

2.9 Obtain the previous period end branch trading statement. The figures should not be altered by the Audit Officer in any way or made illegible, as these may need to be produced at a later date, possibly as evidence in a court of law. With the exception of franchise / multiple branches, check with the Subpostmaster whether any discrepancy in the previous branch trading statement has been physically adjusted e.g. loss made good, surplus withdrawn. Following the path 'Desktop ► (F2) Reports ► (F7) Events Log ► (F2) Balancing, can carry out a check on the Horizon system to confirm that the made good option was selected.

Please note: - the Subpostmaster is given four options when clearing the 'local suspense', and prior to the rolling over into the next branch trading period:

- Remove excess cash
- Make Good - Cash
- Make Good – Cheque
- Settle Centrally - only available for a discrepancy in excess of £150.00

In the case of franchise / multiple branches the only option will be:

- Assign to Nominee

The Horizon system will not roll over unless local suspense is clear.

Once a Subpostmaster has elected to make good a shortage by way of either cash or a cheque, this is their declaration to say that the loss has been made good. Failure to make good losses and submission of an incorrect declaration should be reported under usual conditions as detailed under section 5.

Examine the suspense account to determine if anything is being held and, if so, whether or not it is proper to be included in the audit. The only items that can be held in the suspense account are:

- Remittance shortages
- Remittance surpluses
- Cash in pouches
- Robbery / burglary losses awaiting clearance
- Emergency suspense payments (authorised by the NBSC)

Supporting documentation should be on hand to support all entries. Remittance shortage and surpluses must be authorised by the suspense account team (reference number obtained), via the NBSC.

2.10 The following report printouts **must** be obtained from the Horizon system, examined and filed with the working papers in line with the current retention process:

- Transaction log for the day of the audit (audits commencing before opening hours - only) - this report must be produced regardless of whether or not you feel the Horizon terminal has been accessed prior to audit attendance
- Office snapshot
- Balance snapshot for each stock unit - including where the branch operates an individual stock unit
- Foreign currency holdings
- Outstanding summaries (to verify vouchers / cards on hand):
 - Giro deposits / withdrawals
 - NS&I deposits / withdrawals
 - Personal banking deposits and withdrawals (manual transactions)
 - Green Girocheques
 - Redeemed savings stamps (POSS)
- Suspense account report
- Un-reconciled/outstanding transfers report – for multi stock branches
- Transaction corrections outstanding
- Transaction corrections processed (this will also show instances whereby evidence has been requested – entries will be preceded with an ‘E’)
- Remittance summary (ins and outs) for the trading period
- Reversal reports – RV and ER (42 days)
- User summary - obtain a list of all users and detail their full names. This can then be checked by accessing the ‘modify user’ screen and checking that all entries are current and in the correct format.
- Forty-two day transaction log detailing all transactions over £5000.00 – this will help when carrying out the Regulatory Requirements and Standards CAT

Please note: - Further reports can be obtained from the Horizon system as required e.g. branch trading statement reprints, stock adjustment reports, event logs and further transaction logs for investigation purposes. The above list is not exhaustive. However, this should be seen as the minimum.

For more information about how access should be obtained to the Horizon system, please see [Appendix G](#).

Navigational paths to assist with obtaining the above reports can be found at [Appendix H](#).

2.11 Obtain the final cash declaration for the day prior to the audit. The declaration from the Horizon system, as well as any local record, if maintained, should be examined, as they will assist with the verification of the cash on hand. If the branch is unable to produce a cash declaration then details of the last declaration can be obtained from the event log.

Please note: - The report is obtainable via the event log will give you a total only and no denominational breakdown.

2.12 Count and record all the cash on hand, in the presence of the stockholder or Subpostmaster (using standard audit cash input form) and verify / compare the cash figure to that declared. Remember to count and include lottery takings (which should be paid in daily), cash from Paystation transactions and cash held in ATMs, SVM's, Bureau, Smoke & Dye packs etc.

It is essential to ensure that all lottery takings and transactions up to the day before the audit are included in the asset verification. Such funds could be introduced into the accounts and used to cover a cash shortfall.

The cash counted at the audit may not agree to the branch cash declaration, but this may be due to an error when declaring the cash, or the cash may have been declared prior to the close of business on the previous working day.

The cash figure detailed on the office snapshot, for single stock branches, or the balance snapshot for those operating single stock units, can be used as a further check. For a Thursday am audit, following the completion of a balance trading period, there is also the possibility that the cash can be compared to the cash figure on the completed balance trading statement.

It may not be possible to immediately check all the cash on hand at the branch due to the bulk being secured in a main safe, which may not be due to open until 9.30am or later. A 40-minute internal cell may also be utilised. In these cases a decision will have to be made whether or not to allow the branch to open before this cash has been checked and verified. If in doubt do not allow the branch to open until all the cash on hand has been counted and confirmed. Any errors must be investigated and identified to the Subpostmaster who must be given the opportunity to check and agree any discrepancies. Any significant discrepancies to be investigated by reference to, and evaluation of, transaction / event logs obtained from the Horizon system.

Please note: - With the introduction of flexible planning, branches are now allowed to declare cash on hand 20-30 minutes prior to closing. The time of the cash declaration must therefore be taken into account when verifying cash found on hand.

Should the Subpostmaster present cash after the audit has commenced, and it has been confirmed that all cash has been produced, it must be excluded from the audit as the audit result is only based on the verification of the financial assets presented as “on hand” at the outset of the audit. The cash must be accepted from the Subpostmaster “without prejudice to investigations or the current branch trading position”, a miscellaneous receipt issued, and included in Post Office Ltd funds, but not the current branch trading position. Details of the amount should however be included in the measures sheet of the P32 and reported in the branch audit report in section 3 Result of Financial Audit.

The situation must be reported to the Contracts Advisor, Investigation Team Manager and your line manager, especially if the circumstances are suspicious and give cause for concern. Keep a written record of all discussions and the precise words of any admissions by the Subpostmaster. Mark this as a “True and accurate record of events on.....”, and ask the Subpostmaster to sign it, if refused endorse the statement “refused to sign”.

2.13 Count and record all the value, volume and non-value stock on hand (standard audit stock input forms must be used). The “working” stock must be checked first leaving the bulk/main stock to be checked at a later time. This will allow the branch to open as soon as possible (once sufficient “working” stock is available for use by the branch staff) provided, of course, that the cash has been fully and accurately confirmed.

Once all the stock on hand has been counted and recorded, it must be verified/compared to the Horizon snapshot or the last completed branch trading statement (Thursday audit - following completion of branch trading period). Stock on hand must be checked to ensure that it is current and proper to be held and this should be confirmed with the NBSC, if in doubt. Obsolete stock must be discounted from the audit, the subsequent shortage included in the current branch trading position and explained in the audit report.

Any errors must be investigated and identified to the Subpostmaster, who must be given the opportunity to check and agree any discrepancies.

Please note: - for branches that operate individual stock units, ensure that there are no outstanding transfers. Obtaining the respective report from the Horizon system and ensuring that the transfers reconcile does this.

2.14 Count and record all cheques on hand (standard audit cash input form to be used) and verify to Horizon snapshot or the last completed branch-trading statement (Thursday audit - following completion of balance trading period). Ensure that cheques are examined for validity and that any “personal” cheques are not on hand including those belonging to staff members.

If a personal cheque is found, and there is no evidence of a legitimate transaction to which it relates, contact the Contract Advisor team, Investigation Team Manager and your line manager immediately. This is likely to result in the suspension of the Subpostmaster, so keep a written record of all discussions and the precise wording of any admissions by the Subpostmaster. Mark this as a “True and accurate record of events on.....” and ask the Subpostmaster to sign it, if refused endorse the statement “refused to sign”.

The personal cheque must be impounded, excluded from the audit result and a “without prejudice” receipt issued.

2.15 Figures for vouchers already despatched can be obtained from the Horizon snapshot but all vouchers on hand must be checked and reconciled to the Horizon snapshot, or final office balance on a Thursday following the completion of a branch trading period. When checking and listing vouchers, a daily breakdown of “cheques to processing” and “remittances” must be recorded for later inclusion in the P32. All the vouchers on hand must be checked and verified irrespective of the day of the audit. Printouts of transactions not yet cut-off, therefore still on hand, can be obtained by accessing the report screen and selecting ‘summaries outstanding’. The details of the printouts should tie up to vouchers on hand e.g. giro deposits and withdrawals etc.

Please note: - It is also important that all vouchers on hand are checked for validity, early encashment and fraud.

2.16 Count and verify foreign currency holdings and confirm to the sterling equivalent declared on the Horizon snapshot. Verify all currencies on hand to the bureau stock snapshot. The sterling held in the bureau stock should be counted as part of the check of cash on hand. Any errors in foreign currency holdings should be brought to the attention of the Subpostmaster, who must then be given the opportunity to check and agree the discrepancies. The errors must also be corrected in the Horizon bureau stock at the time of the audit. Totals from currencies verified should be

documented for later inclusion in the P32. Upon correcting the errors, the revised sterling equivalent figure should be used in the P32.

2.17 Count and record lottery scratchcards and reconcile to the Horizon snapshot and local records, if held. (Sales made in the morning before the audit may have to be taken into account, as the retail side is usually open in advance of the Post Office® counter). Scratchcards will normally be held on the retail counter and it may be necessary to physically count the cards outside the counter area. In this case, care and vigilance must be exercised at all times. Any cash held on the retail side relating to sales should be included in the cash on hand verification. If lottery takings are not to hand, have not been transferred over to the Post Office® counter or are banked into a personal account, this must be reported to the Contract Advisor, Investigation Team Manager and line manager.

2.18 Obsolete scratchcards must be discounted from the current branch trading position and the shortage explained in the audit report. The scratchcards on hand can be verified by reference to the lottery matrix held on the Compliance Team Library or by telephoning the NBSC () The Subpostmaster to be advised that any obsolete scratchcards must be dropped from the cash account and the resultant shortage made good. This should be actioned at the time of the audit and detailed in the audit report.

2.19 Obtain the following reports from the lottery terminal and the Subpostmaster, depending on the type of branch (GVT or OLT):

- On line summaries
- Instant summaries
- Summary Inventory
- Pack status reports
- Activation receipts

Verify the lottery figures from the daily summaries to the Horizon snapshot and record, using the standard audit voucher sheet, for later use when constructing the P32:

- Weekly sales
- Activations
- Prizes paid
- De-activations

2.20 Using the summary inventory and pack status reports, confirm and reconcile the unactivated scratchcards. It should also be confirmed that the scratchcards on sale have all been activated. The pack status reports identify the status of the cards held:

CONFIRM - Pack is unactivated

ACTIVE - Pack is activated

2.21 Count and verify the contents of the stamp vending machine (SVM).
Please note: - Cash in the SVM should be kept to the absolute minimum; any excess cash should be removed. The branch should maintain a SVM quality of service record, detailing instances when the machine has been out of service, for how long, where there have been discrepancies, and the value of the discrepancy. It is important that the machine remains operational at all times.

2.22 Obtain the bar code summary report from the Paystation terminal. Count all monies accepted in respect of transactions carried out on the terminal to ensure that they balance to the amount detailed on the report. It is important that the summary total is entered into the Horizon system as soon as possible after the bar code is available for scanning. If this is not done the agent will receive repeated reminders to do so. Failure to comply with this requirement on a regular basis will cause the Paystation to be suspended.

Please note: - The maximum amount of Post Office® cash that can be held on the retail side is £250.00. The total of the bar-code summary and monies in respect of transactions should be included in the P32.

and these items held in a variety of places. The need to produce all cash, stock and vouchers at the outset of the audit is still important and this must be stressed to the Subpostmaster. Determine if any non-standard transactions are performed at the branch (lottery, SVM, bureau, ATM and Paystation) and remember to include any cash, stock and transactions in the audit.

2.26 Where a branch is currently part of the rural strategy pilot, it is a requirement for all cash, stock and vouchers proper to the branch code to be verified. This may involve travelling to a further site to verify these items. The main branch is referred to as a Core branch, and the areas serviced by the Core known as 'Outreach' sites. A separate stock unit at the branch will hold all financial assets and information proper to the outreach branches; therefore it is important that a balance snapshot for the outreach stock unit is obtained for reference when verifying financial assets to the branch.

SECTION 3 – GUIDELINES FOR COMPLETION OF THE AUDIT OF ACCOUNTS (P32) [Top](#)

The P32 is an Excel spreadsheet, with interlinked sheets. Once fully completed, the current trading position of a branch is automatically calculated (subject to other checks).

Only white cells are keyed to. Coloured cells are those with links, formulae etc. and are protected to stop the formulae being deleted accidentally.

Several cells contain a red triangle in the top right hand corner. This indicates that there is a guidance comment tagged to the cell, usually a specific instruction or a reminder. To see the comment, click in the cell containing the triangle and then hover the cursor over the cell and the message will appear.

Several of the spreadsheets are quite lengthy so there is a red bold stripe at certain points of each page to indicate the end of the page.

3.1 Obtain the last completed final branch trading statement and input the following entries on to the BTS sheet:

- Last Branch Trading Statement date
- Cash on hand*
- Cash awaiting collection*
- Suspense*
- Other Mop*
- For Ex*
- Postage Stamp*

Check that the total of these entries equals the total c'fwd figure from the branch trading statement.

Input the volume stock holdings from the last completed final branch trading statement onto the reconciliation sheet.

Input the above* figures from the office snapshot and suspense account report obtained at the outset of the audit also onto the BTS sheet.

3.2 The standard audit working papers (cash sheet, stock sheets and voucher sheet) must be fully completed in ink and signed by the completing Audit Officer. The completed sheets should be supplied to the lead Audit Officer as soon as possible. All the data obtained and documented, as part of the financial audit process, can now be input to the P32 worksheet to determine the current branch trading position.

Please note: - The entries on all working papers must be legible with any alterations initialled by the correcting person.

Within the P32, there are several spreadsheets and documents that need to be completed before the P32 is finalised and emailed. The information to be input to each of the sheets/documents is as follows:

<u>Planning</u>	<p>This sheet is completed at the planning stage of the audit. Details of the audit officers attending, branch and the type of audit are recorded. It forms a checklist to ensure all required stages of preparation have been completed.</p> <p>When the date of audit is keyed in, cell B8 shows whether the correct version is being used. This is important to ensure that stock prices, used to construct the balance, are correct and current.</p>
<u>CATs</u>	<p>This sheet lists all compliance tests that could potentially be carried out at audit and is completed at the planning stage of the audit. A tick placed in column B indicates which CAT tests are planned. The CAT sheet is also used to record any non-compliance uncovered at the previous audit, which is found by examining previous audit results/P32.</p> <p>The drop down box in column C lists reasons for examining or not examining individual CAT tests at the audit, for example, PNT means the product or service is not transacted at the branch.</p>
<u>Cash, Cheques and remittances</u>	<p>This sheet includes a table to record all cash denominations by stock unit for up to 20 individual stock units (cells G3 to AA21). The stock unit ID is recorded in cells H3, I3 etc. The total value for each stock unit is then automatically added and feeds to cells C4 to C22.</p> <p>The total value of each denomination of cash for the branch, as detailed on the declaration, is then manually keyed to cells D4 to D21 and any discrepancy is automatically calculated in column E. Any shortage shows in red, bold, and negative.</p>

	<p>Details of all cheques on hand at the branch are keyed (to the table in cells B32 to AO48) separately for each stock unit, recording the service for which the cheque was accepted and the amount.</p> <p>All cheques processed since the last Branch Trading period should be recorded in the table in cells B56 to C90. These are then checked post audit by the MI team to ensure all have been received and processed at the processing centre.</p> <p>Details of any inward and outward cash remittances require to be recorded. Values verified at audit by MI require to be recorded by breakdown of amount/date. However, rems not verified by MI must contain: pouch numbers, date & total.</p> <p>Totals of all cheques, on hand or processed, are automatically calculated and fed to the table in cells B24 to C27.</p>
<u>1p - £5</u>	<p>This sheet is to record each denomination of definitive stamps by stock unit, recording stock unit details in cells C4, D4 etc. These are the only stock items that show as a value on the Branch Trading statement, balance snapshot etc. The total amount and value for each stamp is calculated in columns AQ and AR, along with the total value for each stock unit on line 40.</p> <p>The miscellaneous section, at the bottom of the table, is for recording stamps for values that are no longer issued as stock items, such as 37p stamps. Should there be any of these on hand the value of the stamp in decimal format (i.e. 0.37) should be recorded in cells B35 to 39. The total value then feeds directly to the BTS sheet to calculate the current trading position.</p>
<u>Stock</u>	<p>All stock on hand at branch, for up to 20 individual stock units (keying stock unit ID on line three), is recorded on this sheet. All standard stock and common philatelic items are included, with blank cells to allow the facility to add some less common items.</p>
<u>Reconciliation</u>	<p>For each stock item transacted, details are recorded as follows:</p> <ul style="list-style-type: none"> • Column C, From BTS – volume of each stock item brought forward from the previous Branch Trading statement

	<ul style="list-style-type: none"> • Column D, Rems In – volume of each stock item delivered since the previous Branch Trading statement • Column E, Rems Out – volume of each stock item returned since the previous Branch Trading statement • Column F, Sold – details of all sales of each stock item from the balance snapshot • Columns G, H, I, J & M are completed automatically so the total value of any stock discrepancies is calculated for the branch. Any shortage appears in negative, red and bold. <p>The total value of sales is also calculated and feeds to the receipts & sales sheet, along with any postal order fees, which are also calculated automatically.</p> <p>Prices for standard stock and philatelic items are already included, hidden within the spreadsheet, and are calculated automatically. However, there is the facility for recording non-standard items, where prices have to be input, such as home help or bus ticket schemes. (To add non-standard items, go to stock sheet and find the next appropriate blank, blue cell and type in the details of the stock item. This will then feed to the reconciliation sheet, which matches the stock sheet line by line, e.g. cell B214 on the stock sheet would be used to add a non-standard mini sheet. This will then also appear in cell B214 on the reconciliation sheet.)</p> <p>Where a price needs to be manually input, there is an outlined cell against the stock item in column K.</p> <p>This sheet also contains tables (line 248 onwards) for recording details of reconciliations for motor vehicle licence discs (MVL), Travellers Cheques, rod licences and electricity tokens.</p>
<u>Foreign Currency</u>	<p>The sterling value of any foreign currency should be calculated manually and recorded in the appropriate cell on the BTS sheet but this sheet records the value for each unit of currency, to provide a clear audit trail. The top section includes the more common currencies such as Euro and American Dollar and there are blank sections at the bottom of the page for the more unusual currencies.</p>
<u>Suspense</u>	<p>The only items that should be posted to suspense by a</p>

	<p>Subpostmaster/officer in charge are remittance shortages or surpluses, robbery/burglary losses; cash in pouches or authorised suspense emergency payments. The cash in pouches figure is a separate item on the snapshot and is recorded manually on the BTS sheet. However, any other suspense items are totalled and feed automatically to the BTS sheet, to be included in the overall trading position figure.</p> <p>There is an additional table for recording any items that are in suspense due to migration. This is a temporary table until all these items have been cleared and will eventually be removed.</p>
<u>Receipts and Sales</u>	The value of all receipts and sales from the balance snapshot are recorded in this table. Inward remittances are fed automatically from other sheets within the P32.
<u>Payments</u>	The value of all sales from the balance snapshot is recorded in this table. Outward remittances and 1p to £5 postage remittances are fed automatically from other sheets within the P32.
<u>Branch Trading (BTS)</u>	<p>The following details are recorded from the previous branch trading statement to cells C4 to C9 as follows:</p> <ul style="list-style-type: none"> • Last Branch Trading Statement date • Cash on hand • Cash awaiting collection (rem pouches already made up/cash in pouches) • Suspense items • Other MOP (including cheques) • Sterling equivalent of bureau holdings • 1p to £5 value postage figure <p>Items above are then recorded from the balance snapshot to cells F4 to F9.</p> <p>Column G (on hand) is fed automatically from other sheets within the P32 workbook, except for foreign currency, which needs to be keyed manually.</p>
<u>Postage labels</u>	Input sheet for recording postage labels issued and rejected, by user
<u>Equipment</u>	This is where details and serial numbers of any equipment used to undertake the audit must be recorded.
<u>Documents</u>	This is a blank page where any relevant electronic documents can be embedded within the P32 workbook

	(e.g. audit report), along with instructions on how to do this.
<u>PAA</u>	Input sheet for detailing all post audit activity and actions taken.
<u>Measures</u>	Input sheet to be completed in full following an audit using the latest guidelines and the comments included in the sheet. Please note, the sheet will need to detail the current branch trading position on the day of the audit, the current branch trading position minus pending clearance items as at the time of the audit, and the revised trading position after a period of 8 weeks which will have given time for any transaction corrections to be issued. The MI support will; complete the latter as part of the post audit checks.
<u>User Summary & P356</u>	Input sheet to be completed at the audit detailing all account holders on the Horizon system. All system users/branch staff to be detailed on sheet.
<u>CAT tests</u>	<p>The results of compliance tests carried out are recorded in column B. For each test, an "X" is recorded if the test wasn't undertaken, a "1" if no gaps in controls are identified and a "6" if high risk.</p> <p>Upon recording a 6 in column B, details of the control gaps appear on top of the white boxes on the right hand side. Any gaps can then be recorded by keying a number one (equivalent of a tick) in the relevant box.</p> <p>As each 1 is added, a conformance score is automatically calculated in column C for each area tested. Line 52 then gives an overall conformance score for the branch with the total number of control gaps covered.</p>

Please note: - The cheques to EDS (or cheques to Belfast Cash Centre for NI branches on the remittance sheet) must be entered to the P32 by day rather than a bulk figure. The data input to these sheets will feed to the payments sheet and will identify the audit result.

3.3 The current branch trading position will now be identified on the branch trading sheet (BTS) within the audit of accounts (P32) and this should be confirmed to the expected result taking into account the following factors:

- Have any forged notes / obsolete stock been discounted?

- Has the previous cash account discrepancy been rectified?
- Have errors been found in cash, stock and vouchers?

Please note: - This list is not exhaustive but will reflect the circumstances found at each individual audit. However, there is a requirement that the Subpostmaster settles his account upon completion of the branch trading statement. Therefore, if a declaration has been made that cash has been added but findings are found to the contrary, this should be seen as cash inflation and the relevant people notified.

3.4 Should the current branch trading position identify an unexpected large discrepancy, further investigations must be made before advising the Subpostmaster.

- Ensure that all input sheets have been totalled correctly
- Check that all amounts on input sheets have been input to the respective Audit of Accounts P32 spreadsheet
- Check that there are no omissions on the input sheets - compare to snapshot
- Confirm that there have been no other input errors to the P32
- Examine the variance in stock levels from the previous branch trading statement to identify unusual holdings. (Include the postage breakdown in this check i.e. 1p to £5)

3.5 It is becoming increasingly apparent that, now that the ability to suppress remittances has effectively been removed, cheques to EDS figures are being used to conceal fraudulent activity. When performing an audit, it is extremely important that:

- Any large amounts of cheques claimed as remitted during the period since the last declared branch-trading statement are examined against the levels of receipts, figures for the period and, if necessary, verification against Horizon reports.
- Any large value cheque discovered at the time of the audit is questioned and compared to the transaction it was claimed to support

If there is any doubt, then contact the Network Compliance Audit Manager at the time of the audit.

3.6 Once the current branch trading position has been confirmed, the Subpostmaster should be informed and an explanation obtained if required. If no explanation is offered, any discrepancy in excess of £500 must be reported to the Contract Advisor, Investigation Team Manager and your line manager.

Please note: - The branch trading position could change in the event of pending transaction corrections being issued or transaction corrections that later come to light.

3.7 Request that the Subpostmaster adjusts the discrepancy, or seek proposals for its recovery in the event of a loss.

3.8 It is important that the measures and CATs test sheets are fully and accurately completed following all audits, using the latest guidelines, with all boxes completed. It is essential that the information recorded is accurate and in the correct format e.g. words (correct spelling) or figures otherwise it will not feed through to the databases utilised by the Admin support team.

The information taken from the P32s is very important and considerable time and effort is wasted when the measures sheet is not completed correctly.

SECTION 4– VERIFICATION OF REPORTED FIGURES (WHILST ON SITE) [Top](#)

4.1 It has become increasingly clear that some details previously verified after the audit by a separate duty could in fact be verified on site at the time of the audit. This means more timely verification and early detection of any fraudulent activity. The procedures are as follows:

REMITTANCES

- Whilst on site, usually once the branch has opened for business, you should receive a telephone call from the relevant post audit verification duty, North , West , East) They will provide bulk totals of all inward & outward remittances despatched to the cash centre appropriate to audit. NB. If any rems cannot be verified, you may be required to obtain pouch numbers, amounts & dates of remit
- Admin Support will be contacted at all audits, even where no remittances have been received at, or despatched from the branch. This will confirm that there have been no remittances and prevent suppression
- Admin Support will verify details against the SAPad's system and contact the lead Audit Officer, at the branch, to confirm results of the check
- If remittances are confirmed annotate the post audit activity sheet (PAA) within the Audit of Accounts (P32) and record the pouch numbers
- If a discrepancy is reported then your line manager must be contacted immediately with the details

Please note - Ensure that any remittances on site at the branch, prepared for despatch, are opened and checked at the audit to confirm and verify the contents.

SUSPENSE ACCOUNTS

- Whilst on site, contact the Cash Reconciliation Team on or to determine whether cash in pouches figures are proper to be held
- Whilst on site, contact the Branch Control Team on to determine whether all remittance discrepancies are proper to be held
- In the case of the above, if a discrepancy is reported then your line manager must be contacted immediately with the details

LOTTERY CHEQUES AND ROD LICENCES

Serial numbers of lottery cheques and rod licences to be obtained from the prep data prior to the audit and recorded on the planning sheet within the Audit of Accounts (P32). The details to be confirmed on site at the audit by examination of the cheques and licences on hand.

If details are confirmed then the planning sheet and the post audit activity sheet are to be completed to confirm accuracy of the check. If a discrepancy is noted then post audit activity and planning sheets are to be marked as unconfirmed and your line manager contacted.

SECTION 5 – REPORTING IRREGULARITIES AND DISCREPANCIES

Top

5.1 It may be necessary to contact Contract Advisor, Investigation Team Manager and your NCAM to report findings, errors, discrepancies or admissions. This should be done at the earliest opportunity. This will allow discussions to take place and a decision be made whilst the lead Audit Officer is still on site at the branch and will ensure that the matter is dealt with quickly and efficiently. Contact should be made via mobile phone, as this will ensure confidentiality (use Mobex number). The use of the Subpostmaster's telephone should be avoided.

5.2 The line manager must be contacted in the following circumstances, where:

- There is an unexplained discrepancy in excess of £500 (including outstanding debt as well as trading position found during asset verification)
- There are any irregular or suspicious circumstances
- There is an irregular personal cheque on hand
- Credit sales are operated
- There is an admission of misuse of Post Office Ltd funds or fraudulent activity
- The Subpostmaster refuses to allow access to the premises
- Cash on hand has been inflated or an amount of cash is produced after the audit has commenced
- Lottery takings are not to hand but banked in personal account
- Transaction corrections have not been actioned to the expected timescales
- There are discrepancies found in on-site verifications (remittances, suspense accounts etc.)
- The Subpostmaster has declared that the previous periods discrepancy has been made good, however findings are to the contrary
- If the lead Audit Officer has any other concerns or is unsure
- The Subpostmaster cannot make good an audit shortage and is unable, or unwilling, to put forward proposals

This list is not meant to be exhaustive as there will always be circumstances that arise that won't be covered by any list no matter how long. Regardless of the circumstances, if there is any doubt or concerns, contact the line manager.

5.3 When contacting the Network Compliance Audit Manager, the following information may be required for onward cascade:

- Date of the incident
- Time of the incident
- The name of the branch
- The address of the branch
- Postcode
- The branch code
- Telephone number of the branch
- Subpostmasters name
- If run by a national multiple – which one

- Audit leader
- Name of Audit Officer revealing findings
- The risk type (audit code)
- Audit risk priority
- Amount of the discrepancy (current branch trading position)
- Amounts that make up the suspense account
- How the discrepancy was discovered
- Name of the contacts and service manager dealing
- Name of person dealing in the absence of the contracts and service manager
- Name of the Investigation Team Manager dealing
- Name of person dealing in the absence of the Investigation Team Manager
- Details of the decision taken by the C&SM (suspension / not suspension)
- Other action taken if not suspended
- Location of the assets
- Details of the interim (are they related?)
- If a shortage, was it made good and how?

5.4 Once a call is received to report a discrepancy or irregularity from the Audit Officer on site the NCAM will take the following action:

- Where the amount is greater than £25K, the Network Compliance Audit Manager will relay the relevant details to the Head of Compliance

5.5 Precautionary suspensions

- The responsibility for making the decision to suspend is with the Contracts Advisors or their representative
- If the Contracts Advisor is not on site, the responsibility to communicate the decision to precautionary suspend is with the lead Auditor Officer
- The lead auditor should discuss the way ahead with the Contracts Advisor i.e. Closure of the branch, transfer etc. and deal with arranging transport (if required) or the transfer to a new Subpostmaster
- There may be occasions when the Contracts Advisor is on site and can relay the message to the Subpostmaster. This will be the exceptional and not expected.

5.6 The responsibility for completion of an “Event Capture Form” is with the lead audit officer.

- The ECF should be completed for all discrepancies over £1000 and within 48 hours of the audit. If these timescale cannot be met, the NCAM should be informed so alternative arrangements can be made for the completion of the ECF.
- The file should be saved as follows:

ECF.BranchCode.Six digitdate.AnytownPO.TeamName. xls for example

ECF { } .Birmingham.West.xls.

- The completed ECF should be e-mailed to Investigation Team Post Office Ltd mailbox, Network Compliance Audit Manager, Compliance Risk Modeling Manager (Glyn Burrows), Compliance Risk Reporting Mgr (John Jenkinson), Contracts Advisor and the Investigation Team leader.
- In cases where the discrepancy exceeds £25K, the Head of Compliance (Keith Woollard) must also be copied in.
- When completing the form, it is imperative that the following information is recorded:
 - Date of the incident
 - Time of the incident
 - The name of the branch
 - The address of the branch
 - Postcode
 - The branch code
 - Telephone number of the branch
 - Subpostmasters name
 - If run by a national multiple – which one
 - Audit leader
 - Name of Audit Officer revealing findings
 - The risk type (audit code)
 - Audit risk priority
 - Amount of the discrepancy (current branch trading position)
 - Amounts that make up the suspense account
 - How the discrepancy was discovered
 - Name of the contacts and service manager dealing
 - Name of person dealing in the absence of the contracts and service manager

- Name of the Investigation Team Manager dealing
- Name of person dealing in the absence of the Investigation Team Manager
- Details of the decision taken by the C&SM (suspension / not suspension)
- Other action taken if not suspended
- Location of the assets
- Details of the interim (are they related?)
- If a shortage, was it made good and how?

**DO NOT APOLOGISE NOR ENTER INTO DISCUSSION AS TO WHY A
SUSPENSION HAS BEEN AFFECTED - REFER THE SUBPOSTMASTER
TO THE CONTRACT ADVISOR.**

5.6 Should the Subpostmaster be suspended, there is a possibility that the branch will remain closed and the assets defunded (please refer to the Closure chapter of the Audit Process Manual for details about the defund of a branch). In this case, a special notice to this effect should be displayed and NBSC should be contacted to advise them of the situation. If the branch is to remain closed, the door and safe keys will need to be secured once the Audit Officers have left the branch.

In all cases, the Contract Advisor (or a team member) should be requested to attend the branch before the Audit Officers leave, to take responsibility for the alarms and keys. If this is not possible, as a last resort, the alarms will be changed and set and the keys taken away by the lead Audit Officer. This will, however, merely be a temporary measure and the keys and alarm codes should be transferred to the Contracts Advisors at the earliest opportunity. This arrangement should be discussed and organised prior to the lead Audit Officer leaving the branch.

Appendix J should be used as a quick reference guide for dealing with discrepancies.

5.7 In cases involving suspension, the lead auditor should obtain up to six periods worth of branch trading statements, and keep them with the other audit papers for retention at the central archive in Chesterfield. This will assist the Legal Services team, should the case go to court.

Ideally originals should be obtained, but copies (where such facilities exist) are acceptable. Should there be no statements available, a reprint of the last completed statement may be obtained from the Horizon system.

If the SPMR objects to the removal, it should be pointed out that the paperwork is the property of Post Office Ltd, and if necessary a miscellaneous receipt may be issued.

SECTION 6- PERFORMING A COMPLIANCE AUDIT

Top

Internal control relates to the whole system of controls and co-ordinated measures designed to safeguard the assets and to maintain accurate and reliable records. The importance of internal control to the Audit Officer arises from the need to be certain that information produced is soundly based and possibilities of deliberate or accidental errors are reduced. Internal audit's primary function is therefore to appraise the effectiveness of internal control by confirming compliance with documented Business process and procedures.

6.1 The concept of compliance auditing is based on the assumption that the laid down mandatory business procedures or regulatory controls are in operation. Compliance audit tests (CATs) are designed to test that controls are operating as intended, by checking evidence of adherence to the approved systems.

6.2 The Audit Officer's role in compliance auditing is to undertake sufficient testing to be able to confirm, with reasonable assurance that controls that should be present in a system are being deployed.

6.3 The scope of all standard audits (unless notified otherwise) is as follows: -

A financial audit

Core compliance tests (at agency branches only)

Verification of ACC declarations (at Crown branches only)

Confirmation that actions from the previous audit report have been attended to

The core compliance tests are as follows: -

- Regulatory Requirements
- Financial Controls
- Information Security
- Procedural Security (Top 10, 20 or 30 – Branch Details refers)
- CAT on the month - as notified in Network Risk and Process update

6.4 Performing the test - CATs should be undertaken in accordance with the detailed instructions provided for each question. Where a 'No' answer is given, the Audit Officer should discuss the matter with the Subpostmaster to establish whether or not there are any extenuating circumstances contributing to non-compliance with the laid down procedure.

6.5 The record and results of each test should be documented on the standard CAT working paper. Details and results of each test performed should be recorded against the appropriate question reference number under the conclusion. The test record should identify the population from which the sample has been selected together with the level and period of the sample.

6.6 The Audit Officer completing the working paper CAT should print and sign their name in the box provided at the top of the paper. The lead Audit Officer must also sign the CAT and note the comments and recommendations on his/her report.

6.7 Extended tests - In normal circumstances, CATs based on the suggested minimum sampling levels will provide sufficient evidence upon

which to base conclusions. The level of sampling may be extended in certain circumstances and at the Audit Officer's discretion, depending on the significance of findings and materiality of control gaps identified. Sufficient evidence should always be obtained to enable appropriate action to be taken to close the control gaps. If weaknesses are revealed in a small sample (e.g. one or two week's records) examine a further period to establish the extent of any concern.

6.8 Where the test sample reveals no transactions have been completed e.g. Travel Insurance or Foreign Exchange, either the sample period should be extended to cover a sales period or the test should be simulated (i.e. ask the auditee how they would account for it or what forms they would use etc.)

6.9 Audit observation - If a compliance test is not selected at the planning stage and a gap in control is revealed while on audit (e.g. stock management - obsolete stock on hand) the CAT sheet within the Audit of Accounts (P32) should detail the areas examined and that is was completed 'due to audit observation'. The planning sheet should not be amended.

6.10 Aborted tests - If tests are aborted (e.g. due to robbery/burglary, prolonged time on the financial audit, suspension of agent or lack of time), column 'H' on the CAT sheet within the Audit of Accounts (P32) should detail the reason for not performing the test. The remainder of the planning should not be changed.

6.11 Conclusions - A summary and evaluation of findings for each area reviewed should be included on the CAT under 'conclusions': -

- Detail control gaps and strengths found;
- Evaluate the significance on non compliance with key controls; outline corrective action required

6.12 OVERVIEW OF REGULATORY COMPLIANCE TESTING (Level Two)

- Arrive unannounced at branch during opening hours
- Explain nature of visit to Manager/OIC
- Conduct compliance testing with Manager/OIC and as many staff as practicably possible

Please note: - The most up to date compliance tests, that should be used on audit, are available on the Compliance Team Lotus Notes Library, both level one and level two tests.

SECTION 7 – CLOSE OF AUDIT MEETING

Top

7.1 Once the financial audit and compliance tests have been completed, the audit findings will need to be discussed with the Subpostmaster. The following guidelines should be followed:

- The closing meeting should already have been discussed and planned with the Subpostmaster as part of the opening meeting at the outset of the audit
- The meeting should be conducted in private whenever possible as some of the points for discussion may be sensitive
- The lead Audit Officer should be familiar with all the findings of each test completed
- When talking through the findings it is important to discuss them in a balanced way and be able to qualify exactly what is meant. The reason for any actions should be made clear. The consequences and impact of not complying should be communicated; however “because it is in the rules” is not an acceptable explanation. It is useful to point out where the correct procedure is documented and the importance of adherence to it
- The lead Audit Officer should look to influence the Subpostmaster whenever possible – including providing a copy of an action plan so that the Subpostmaster knows what to expect, in addition to selling the benefits of conformance and the impacts of non-conformance
- All the Subpostmaster’s comments or requests should be documented and incorporated into the management summary section of the branch audit report
- Allow the Subpostmaster time for questions
- Following the closing meeting a customer satisfaction feedback form should be left with the Subpostmaster at the branch – again try to influence the Subpostmaster to complete the form and outline the benefits to him/her e.g. possible improvements to auditing etc.

SECTION 8 – AUDIT REPORTING FOR STANDARD AUDITS

Top

8.1 Following an audit, the separate ‘stand alone’ audit report must be completed. To note there are a number of audit report templates as follows: -

- Report A - Should be used for all routine audits of agency branches (Standard Audit)
- Report B - Should be used for all routine audits of Crown branches (Standard Audit)
- Report C - Should be used for Compliance Only audits, where Bank of Ireland UKFS are present

- Report D - Should be used when a decision has been taken to suspend the Subpostmaster from their role

8.2 Once the audit has been completed it is important that a clear, concise and objective report of findings is written and communicated to all appropriate recipients. The report template should be completed as follows:

- Open the latest audit report template and save in the same format as the relevant P32. Details should include the Branch code; date and branch name e.g. Wakefield.xls it should also have the correct NCAM area and branch type details added, e.g. Wakefield (Community North)(North).

Enter the following details to the front sheet of the report:

- To whom report is addressed & job title (drop down selection)
- From whom report is being sent & job title (drop down selection)
- Details of who the report is being copied (drop down selection)
- Date of issue of the report (correct format being 01 January 2006)
- Post Office name & Branch code
- Date of visit (correct format being 'day' 01 January 2006)
- Who the actions were agreed with
- Name and contact details of your line manager

The control gaps found at the audit should be reported to the action plan at Appendix A and B in the audit report. It is also important to detail, within the management summary section, all the areas covered as part of the audit, and where non-conformance was identified.

8.3 The management summary should be completed, in full paragraphs, detailing the following:

- The result of the financial audit – current branch trading position and any known differences (e.g. outstanding debt not yet collected, transaction corrections not yet processed)
- The areas tested
- The areas where there is conformance e.g. controls deployed
- A sentence to indicate which gaps have not been actioned since the last visit, and how they can be identified e.g. actions highlighted in bold within the action plan are those that have been reported previously however no action taken.
- Any other info that is critical to the report e.g. failure to comply with regulatory requirements (Anti-Money Laundering and Financial Services), poor security of financial assets (including value of funds at risk etc), generic use of the Horizon system etc.

- Any failings not covered by compliance testing, such as lottery transactions not being accounted for daily.
- In addition it should be used to balance the report and identify any good working
- There is no requirement to mention previous gaps that have now been actioned
- The report reflects the discussions held with the Subpostmaster at the close of audit meeting and does not raise any new or unexpected recommendation

When completed the report must be subject to a check of both the spelling and punctuation.

8.4 The current branch trading position (full breakdown) and any other details relating to the financial audit must be outlined in the section named 'result of financial audit'. Suspense account details and the situation regarding the audit discrepancy must also be reported e.g. proposals to make good losses etc.

8.5 Section 4 should be completed detailing the branch name, Branch code and date the audit was carried out.

8.6 The Action Plan should be completed ensuring that:

- The branch name and Branch code are entered
- Headings for areas tested input
- All relevant control gaps included in the action plan – this should be done by highlighting the required control gap from within the excel actions template and copying to the action plan
- No alterations are made to the standardised control gaps/actions
- Page breaks are inserted to align the actions within the table

Please note: - The actions should be listed on two appendices. Appendix A is to list non-compliance to CAT 11 (regulatory matters). All other areas of non-conformance should be listed on Appendix B.

8.7 Upon completion save the report and e-mail with the P32 to P32file lotus notes address.

8.8 Reports completed in respect of audits carried out at the National Multiple companies should be e-mailed to the nominee and the multiples e-mail address: multiples:

PLEASE NOTE; THE REPORT IS AN IMPORTANT OUTPUT OF AN AUDIT AND AS SUCH IT IS VITALLY IMPORTANT THAT IT IS WELL WRITTEN, BALANCED AND CLEARLY DOCUMENTS THE AUDIT FINDINGS.

8.9 There is an extra report template within the P32. This should be used in cases where: -

- There is extra information, not detailed in the normal report that might be useful to other parties e.g. Contracts Advisor, Investigation Team Manager etc.
- The audit is a concern of the Contracts Advisor or is an investigation team request

This report once completed should be detached and saved to the C drive and subsequently emailed to the appropriate recipients – **IT SHOULD NOT BE SENT TO THE SUBPOSTMASTER.**

Please note: - Whatever the audit type there should always be a completed report included with the P32, even in cases where the Subpostmaster is suspended e.g. report to the Subpostmaster detailing findings at the branch, and the additional report to the Contracts Advisor and Investigation Team Manager.

Timescales for reports

All audit reports (standard and extra reports) should be completed, at a minimum, within five working days of the activity having taken place. However, every effort should be made to produce an extra report at the earliest opportunity (before the five days) to contract advisors. All extra reports must be sent by e-mail to the respective area office, and copied to the Investigation Team Manager.

8.10 The audit report contains a compliance certificate statement. This is completed by the Subpostmaster and returned to Admin Support within 14 days. Upon receipt, the details annotated on the certificate should be input to a database. Where there are exceptions, these are escalated to the Network Compliance Audit Manager who contacts the branch direct to discuss the report and point out the impact of non-conformance. A copy of the exceptions should be sent to the Outlet Intervention Team for the attention of the respective audit officer. Admin Support is responsible for chasing up any non-returns of compliance certificates. In the event of no response after a reminder, the failure should be sent to the relevant area office.

SECTION 9 –REGULATORY COMPLIANCE REPORTING

Top

- For Regulatory Compliance Testing the embedded report template (included in the excel sheet) should be used

- Crown offices receive report via e mail and also have a acknowledgement doc. attached - this must be sent back to POL Compliance mailbox within 3 weeks
- All other branches have hardcopy of report issued by admin support
- All reports are sent to POL Compliance e mail address for admin/MI collation etc
- Reports are also copied to BDMs, Outlet Intervention teams for reference and follow up activity as required.

SECTION 10 –POST AUDIT ACTIVITIES

Top

9.1 Following the audit, the lead Audit Officer should complete the following activities:

- Ensure the P32 is fully completed including all documents and sheets (working papers) NB: planning sheet must be re-visited to record number of gaps from the last audit still outstanding & any changes to the plan
- Ensure an audit report or reports are fully completed
- Ensure the measures and conformance sheets, in particular, are fully and properly completed
- Complete the post audit activity sheet
- Save and password protect the P32 and the audit report in the correct format e.g. GRO Wakefield (North).xls
- Save and password protect a copy of the extra report to the C drive
- E-mail the P32 and the audit report in a zip file e.g. GRO Wakefield (North) to e-mail address: P32 File, requesting a return receipt, which must be retained for sixty days. This provides confirmation that the P32 has been received. If you wish, the audit report can be embedded within the Audit of Accounts (P32)
- Email a copy of the audit report to the area intervention office, FAO the Contracts Advisors. For franchise and multiple branches a report should go direct to the nominee or representative responsible for Post Office® operations by email
- Email a copy of the extra report to the Contract Advisor, Investigation Team Manager, your line manager and the Network Compliance Audit Manager. In cases where a discrepancy exceeds £25k copy in the Head of Compliance. In cases of discrepancies exceeding £5k and the amount has been posted to late account, then the Agent Debt team are required to be copied in.
- Admin support will verify the cheques to PC values

APPENDIX A



www.postoffice.co.uk

Mr A Postmaster
Subpostmaster
1234 East Road
CHESTERFIELD
S49 1PF

31/10/2002

Dear Mr/Mrs Subpostmaster

BRANCH NAME

BRANCH CODE

This letter is to confirm that this Post Office® branch is to be audited today.
The following Audit Officers will be attending this Post Office® branch:

NAME OF AUDIT OFFICER

PASSCARD NUMBER

All Audit Officers will have an official Post Office Ltd pass card with a photograph on. It is imperative that these are thoroughly checked before admittance is allowed.

If you are still in any doubt about the authenticity of the Audit Officers, you can telephone the relevant Network Compliance Audit Managers: Graham

Luke- [GRO] North, Alvin West- [GRO] or Tony Hills-
[GRO] East.

Keith Woollard
Head of Compliance
Post Office Ltd
Finance

CROWN BRANCHES**APPENDIX B**Top

The resource levels for an audit of a directly managed branch are outlined in Chapter 2, Audit Plan and Scheduling, within the Audit Process Manual. The comments in this section assume a routine audit with the minimum level of staff attending and do not include activities for special follow up visits prompted by the submission of the annual certificate of compliance. This is contained in Chapter 8, Annual Certificate of Compliance (ACC).

The purpose of routine audits of Crown branches is to provide assurance those assets, declared in the branch trading statement, are in existence. It is not the purpose to reconcile every item of cash or stock or to find corresponding discrepancies for the staff, particularly if the audit is on a Thursday, following completion of the branch trading statement. Given that it is not possible (or cost effective) to verify every penny at the branch, without disrupting counter operations, the focus of the audit is on high value items. With this in mind, the following approach to the selection of stocks to be audited should be followed:

- Cash held in ATMs (see note 1)
- Main cash (see note 2)
- Any individual stock declaring more than £25k in cash (see note 3)
- Any individual stock with abnormal levels of stock declared (see note 3)
- Any stock held solely by the branch manager. For the integrity of the audit, it is best to ask a back office duty to confirm whether or not the BM holds a stock rather rely on the BM's own declaration. (See note 3)

Note 1: ATMs that are accessible from with a public area are a priority for checking while the branch is closed. If this is not possible, as a minimum, obtain the ATM readings and assess the reasonableness of holdings – compared to previous holdings and average ATM withdrawals. If there are any concerns, the lead Audit Officer will need to make a judgment as to whether to keep the branch closed (while the ATM is counted) or to return (at an undisclosed time at the end of the business day). The concerns may be mitigated if the ATM is held and counted by two individuals or if it is rotated regularly. Conversely, any concerns may be increased in the ATM has been held by one individual for a length of time without rotation or supervisory check.

Note 2: The main cash is usually not accessible until 15 minutes after opening the branch. This will allow for the audit to concentrate on counter stocks. However, the main cash safe should be observed so that early access is not allowed.

Note 3: For the purposes of assurance, the financial audit of an individual stock should check all cash (sterling and foreign currency), any unusable notes and cheques on hand. In addition, the Audit Officer checking the stock should assess the reasonableness of high value stock figures declared and, if concerned, should validate those figures.

The main role of the lead Audit Officer at an audit of a directly managed branch is:

- To interact with branch staff, especially the branch manager and particularly at the beginning of the audit
- To identify which stocks require checking at audit and assigning work to Audit Officers, in priority order, so as to minimise any disruption to the general public
- To facilitate the audit by obtaining key information (e.g. cash declarations, Horizon reports etc) for attending Audit Officers.
- Observe any transactions between staff (especially main cash) that may affect the audits of selected stocks and reconciling any transfers since the last declared balance
- To obtain the last declared annual certificate of compliance and test compliance to the key controls
- To verbally conclude the findings of the audit to the branch manager (or nominated deputy) and ensure that the final written report is in line with the verbal closing meeting

The main role of an Audit Officer at an audit of a directly managed branch is:

- To audit stocks, assigned by the lead Audit Officer, in line with notes 1-3 above
- To advise stock holders what items have been checked (and what has not) and the findings of these checks
- Alert the lead Audit Officer to any concerns revealed (from audit findings or observations)

Please note; the limits, as regards values and numbers of stocks, for checking may change at the discretion of the lead audit officer.

Where there are cheques on hand at a DMB audit then there is a requirement to record:

- The value
- Service accepted for
- Name of the drawer – check these to the names of members of staff at the branch

Any irregularities / discrepancies found at the audit should be reported to the lead Audit Officer, who in turn should take the necessary steps to report it to the Network Compliance Audit Manager (responsible for findings) and Investigation Team Manager.

[Top](#)

FRANCHISE AND MULTIPLE BRANCHES APPENDIX C

The prep data will provide details of branches that are of either a franchise or multiple types. The lead Audit Officer should obtain this information at the preparation stage along with:

- The name of the multiple / franchisee
- The multiple/franchise company contact point e.g. nominee
- The name of the Contract Advisor

The financial audit process outlined in this chapter can be applied to multiple and franchise branches with the following exceptions:

If highlighted in the FARM model the lead Audit Officer will need to determine if the procedural security compliance paper needs to be undertaken if the branch is a franchise. Some franchise branches are self-insured and in these cases the security paper should not be completed. The self-insured franchise branches can be identified from the branch details excel spreadsheet. Any major security weaknesses must be still noted, however, and commented upon in the audit report.

On arrival at the branch, the lead Audit Officer should make the visit known to the store manager and any local entry procedures must be adhered to. At the beginning of the audit the lead Audit Officer must telephone the company contact e.g. nominee or post office representative as soon as possible to advise that an audit is taking place and to invite them to the closing meeting at the branch. The estimated time of the closing meeting should be advised and, if the company contact is unable to attend, it must be confirmed that they are happy for the audit findings to be discussed with the officer in charge on site. In this situation, the nominee or post office representative must be contacted upon completion of the audit to relay the findings.

Any irregularities, discrepancies, admissions etc. should be reported to the Network Compliance Audit Manager. The Network Compliance Audit Manager must be sent a copy of the respective audit report.

[Top](#)

OPEN PLAN AND COMBINATION FORMATS APPENDIX D

Open plan branches are those without a physical screen barrier between the customer and the person serving.

A Combination Store is the title given to retail branches that combine other retail business with Post Office transactions using the same point of sale. The same person will deal with private and Post Office transactions, but funds and accounts will be separated.

The financial audit outlined in this chapter can be applied to open plan and combination branches, but special care must be taken because of the different security arrangements.

To minimise security risk to staff and funds, the following principle applies:

- Under no circumstances should bulk cash be counted in positions which are exposed to the public
- All cash on hand should be counted in a secure back office area (if available) or prior to the branch opening for business to avoid the problem.

[Top](#)

ATMs

APPENDIX E

There are 5 different ATM types on site at branches in the network and this will be identified in the prep data for the branch audited

The different types of machines in the network are:

- PO maintained – this machine holds between £50k – £250k and is funded by a remittance received at the branch. The transactions are reported through the branch trading statement
- Fully Serviced – this machine type is totally maintained by Securicor
- Self-fill: Retail cash – this machine is funded from private cash and under no circumstances must Post Office funds be utilised. This is considered misuse of funds and should be reported to the Network Compliance Audit Manager
- Self-fill: PO cash – this machines hold £1k - £3k and are funded from PO funds
- Self –fill surcharge – this machine holds a maximum of £2k, funded by PO funds. Funds must be only PO, i.e. NOT £1000 retail, £1000 PO. NB: All funds must be removed and secured in approved safe overnight.

There are consequently only 3 machine types that would need to be verified as part of the audit process. Although it is not possible to open any of the ATMs whilst the branch is open for business (if access is not via the secure area), consideration should be given to checking the contents of the ATMs before the branch is allowed to open. If the branch (or the retail side) is already open for business when the audit commences then they should be closed for a short period whilst the ATM contents are checked.

If, however, it is not possible to perform a physical check of the ATM during the audit then sufficient reports should be obtained from the ATM to provide assurance that funds are on hand within the ATM. This should be subsequently fully documented in the audit report, and reported to the Network Compliance Audit Manager at the time of the audit.

The obtaining of ATM reports should not be considered a replacement for physically checking the actual contents of the machine. It should be used as a temporary measure to carry on with the audit until such time (during a quieter period of the day as mentioned above) when the branch can be closed for a short period to perform the physical verification.

In extreme circumstances when the ATM is unable to be accessed, 4 weeks entries for ATM withdrawals should be checked to ascertain whether or not stated holdings are reasonable. All instances whereby the ATM cannot be

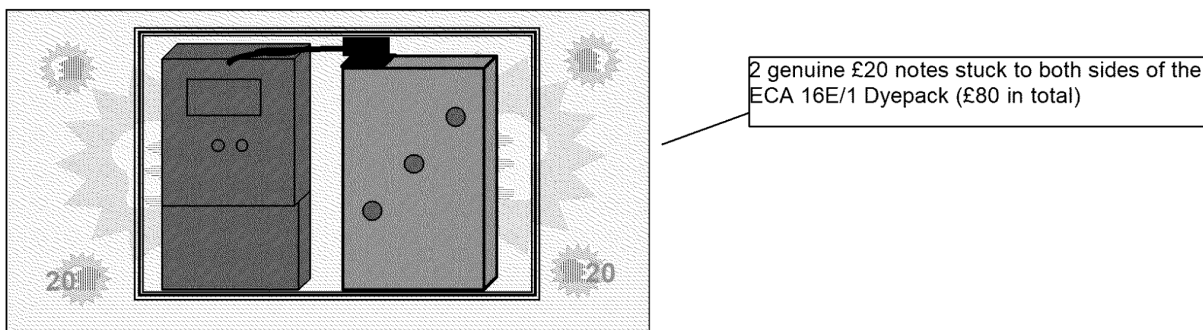
accessed must be reported to the Network Compliance Audit Manager and the Contracts Advisors.

SMOKE AND DYE PACKS APPENDIX F

There are a large number of branches that are supplied with smoke and dye packs as a security item. £20 notes surround the packs and these notes must be included in the branch cash declaration and must be counted as part of the financial audit.

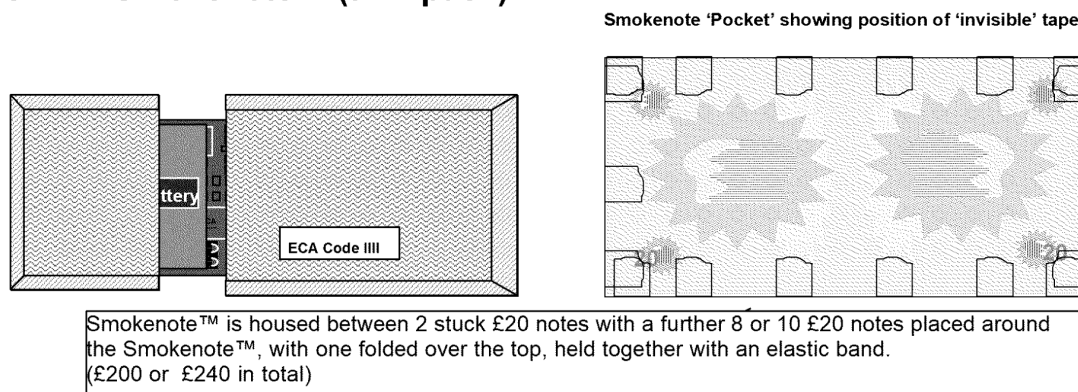
The following guidelines apply:
£20 notes surrounding ECA Dyepacks

Two types of ECA Dyepacks found at Post Offices:
The ECA 16E/1 Dyepack (maxi-pack):



The ECA 16E/1 Dyepack is housed within a Bank of England dummy bundle with 2 genuine £20 notes stuck either side – a total of 4 £20 notes (£80). ECA 16E/1 Dyepacks and surrounding £20 notes are often contained within a transparent PO Giro note-bag.

The ECA Smokenote™ (thin-pack):



The ECA Smokenote™ is contained within its own package. The Smokenote™ package is concealed between 2 stuck £20 notes. A further 8 loose £20 notes are placed around the pack, one folded over the top and held together with an elastic band. (£200 in total) ECA Smokenotes™ and surrounding £20 notes are often contained within a transparent PO Giro note-bag.

Smoke and dye packs are surrounded by real £20 notes and if a number of packs are on hand at a branch this could amount to a considerable value. It is therefore important that the smoke and dye packs are opened and verified at the audit to confirm that:

- The surrounding £20 notes are real
- The surrounding £20 notes are all on hand and are accurately declared

The branch should have a record (receipt) for the smoke and dye notes. The record will detail the full value and the serial numbers of all notes within the pack.

[Top](#)

ACCESS TO THE HORIZON SYSTEM APPENDIX G

It will be necessary as part of an audit to gain access to the Horizon system at the branch being audited. There will also be times when different levels of access will be required and the following should be adopted:

Standard Audits

Audit Officers can be added to the system as a user in order to print the necessary reports or the reports can be requested from, and produced by, the Subpostmaster. Where the Subpostmaster supplies the reports, an Audit Officer should remain in attendance whilst the reports are produced. If the audit subsequently identifies a financial irregularity a ZAUD99 one-shot password (OSP) should be obtained for further use of the system. Any extra users can then be added to the system, if required, from the ZAUD99 user ID.

Audits at the request of the Investigation Team

It is important at these audit types that we do not jeopardise future court cases or prosecutions by ensuring we have followed proper access procedures to the Horizon system. A ZAUD99 (OSP) should therefore be obtained for access to the system and this to be obtained on site in the secure area. Once logged on as ZAUD99 user it can then be used to create other users on the system in order to later assist with the production of transaction/event logs.

If the audit is a contract and service concern or investigation request then the ZAUD99 level of access will be required. The NBSC must be contacted as soon as possible after the start the audit to commence the process for obtaining this type of access. As previously stated, do not attempt to log on to or gain access to the Horizon system until this one-shot password has been obtained. Any delays or problems in obtaining a one-shot password must be reported to the Network Compliance Audit Manager following the audit.

Please note: - If users have been added to the system during the course of an audit remember to delete them from the system at the conclusion of the audit before leaving the branch.

APPENDIX H

Microsoft Excel - Paths for printouts V3.xls

File Edit View Insert Format Tools Data Window Help

PostOfficeSans 12 B I U

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	A	B	C	D	E	F	G	H	I	J	K	L
1		Report required - Version 3		Stage 1	Stage 2	Stage 3		Stage 4		Stage 5		Stage 6
2												
3	1	Transaction log (1)	Desktop	F2 Reports	F3 Transaction log	F5 Date (enter date of audit)	F6 Date to (enter date of audit)	F11 Mode				
4	2	Office snapshot	Desktop	F8 Office balancing	F1 Office snapshot	F4 Print						
5	3	Unreconciled transfers (if more than one stock unit)	Desktop	F2 Reports	F6 Office weekly	F13 Unreconciled Transfers	F4 Print					
6	4	View Stock Units	Desktop	F7 Administration	F1 Stock Units	F4 View Stock Units	View list only					
7	5	Balance snapshot (if more than one stock unit)	Desktop	F4 Stock balancing	F5 Balance snapshot	F4 Print						
8	6	Foreign currency holdings (if transacted)	Desktop	F2 Reports	F1 Counter Daily	F16 Foreign Currency	F4 Print					
9	7	Outstanding summaries	Desktop	F4 Stock balancing	F16 Summaries	Print summaries for all listed	F4 Print					
10	8	User summary	Desktop	F2 Reports	F7 Event Log	F14 User summary	F4 Print					
11	9	Suspence account report	Desktop	F2 Reports	F6 Office weekly	F11 Suspence account	F4 Print					
12	10	Transaction log (2) (>£5K - AML 42 days)	Desktop	F2 Reports	F3 Transaction log	F3 Value from £5K	F11 Mode	F11 Mode				
13	11	Remittance In	Desktop	F2 Reports	F2 Office daily	F4 Rems in (daily)	F4 Print					
14	12	Remittance Out	Desktop	F2 Reports	F2 Office daily	F8 Rems out (dsily)	F4 Print					
15	13	Reversal reports	Desktop	F2 Reports	F3 Transaction log	F11 Mode	ER + repeat for RV	F16 continue				
16	14	Transaction corrections outstanding	Desktop	F2 Reports	F15 Outstanding transaction reports	F4 Print						
17	15	Transaction corrections processed	Desktop	F2 Reports	F16 processed transaction corrections	F4 Print						
18	16	Previous stock unit balance Reprint (if required)	Desktop	F2 Reports	F4 Reprints	F2 SU Balance	F1 Select stock unit	F2 Trading Period				
19	17	Previous cash declarations (if none to hand)	Desktop	F2 Reports	F7 Event Log	F4 SU Balance	F1 Select stock unit	F1 CAP				
20	18	Balance Trading Statement Reprints (if required)	Desktop	F2 Reports	F4 Reprints	F1 BTS Report	Select period	F16 continue				
21	19	Event log (if required by investigations)	Desktop	F2 Reports	F7 Event Log	F1 All events	F2 Balancing	Enter dates from and to investigations e.g. no c				
22	20	Stock adjustments	Desktop	F2 Reports	F3 Transaction log	F11 Mode	Stock adjustments (+) & repeat for stock adjustments (-)	F16 continue				

Ready

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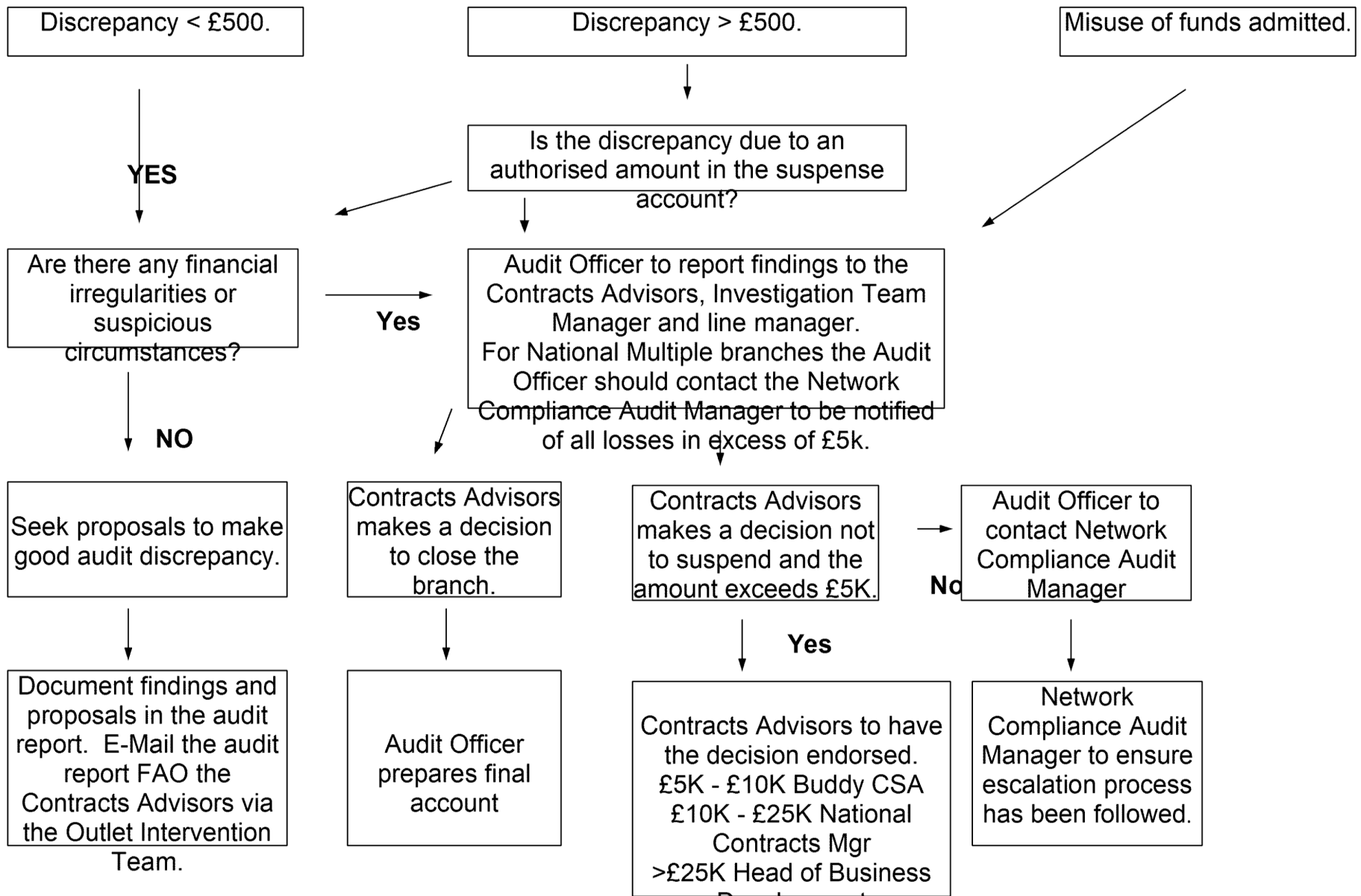
Branch Audit Report A v1.5.doc - Microsoft Word

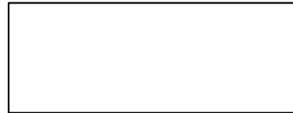
CAPS

15:34

APPENDIX J – Dealing with discrepancies revealed at audit (Note: ECF to be completed for discrepancies over £1000 only)

[Top](#)





APPENDIX K

Top



AUD_CONTACT-v2.d
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APPENDIX L



Auditing Without
Access to Horizon.zip